

**THIRD SUPPLEMENT DATED AS OF SEPTEMBER 29, 2009
TO
AMENDED AND RESTATED INTERLOCAL AGREEMENT
RELATING TO THE FINANCING OF
THE PROPOSED SPORTS AND BASKETBALL ARENA
TO BE FINANCED BY
THE MEMPHIS AND SHELBY COUNTY SPORTS AUTHORITY, INC.**

THIS THIRD SUPPLEMENT TO AMENDED AND RESTATED INTERLOCAL AGREEMENT RELATING TO THE FINANCING OF THE PROPOSED SPORTS AND BASKETBALL ARENA TO BE FINANCED BY THE MEMPHIS AND SHELBY COUNTY SPORTS AUTHORITY, INC. (the “Third Supplement”), dated as of September 29, 2009 by and among Shelby County, Tennessee, a county of the State of Tennessee (the “County”), the City of Memphis, Tennessee (the “City”) and The Memphis and Shelby County Sports Authority, Inc. (the “Authority”).

WHEREAS, in connection with the Authority’s Revenue Bonds, 2002 Series A (Memphis Arena Project) and Revenue Bonds, 2002 Series B (Memphis Arena Project) (collectively, the “2002 Senior Lien Bonds”) issued to finance the cost of acquisition, construction, and equipping of a new multipurpose arena (the “Project”) to accommodate a National Basketball Association Franchise known as the “Grizzlies” and other sports, entertainment and civic events, the Authority, the County and the City entered into an “Amended and Restated Interlocal Agreement Relating to the Financing of the Proposed Sports and Basketball Arena to be Financed by the Memphis and Shelby County Sports Authority, Inc.”, dated May 15, 2002 (the “Original Agreement”); a supplement to the Original Agreement dated August 10, 2004 (the “Supplement”), and a Second Supplement dated July 9, 2009 (the “Second Supplement” and together with the Original Agreement and the Supplement, the “Agreement”), which Agreement, *inter alia*, pledged certain “Revenues” to the 2002 Senior Lien Bonds and other subordinate obligations as contemplated by the Original Agreement, as well as provided the City’s and County’s commitments relative to the “Senior Debt Service Reserve Fund Replenishment Obligation” as described in the Original Agreement; and

WHEREAS, in accordance with the Agreement, on July 9, 2009, the Authority issued its Revenue Refunding Bonds, 2009 Series A (Memphis Arena Project) and Revenue Refunding Bonds, 2009 Series B (Memphis Arena Project) (collectively, the “Senior Lien Bonds”), which were issued to refund all of the Authority’s outstanding principal balance of the Authority’s Variable Rate Demand Revenue Refunding Bonds, 2007 Series A (Memphis Arena Project) and its Variable Rate Revenue Refunding Bonds, 2007 Series B (Memphis Arena Project)(collectively, the 2007 Series A Bonds and the 2007 Series B Bonds are hereinafter referred to as the “Refunded Bonds”), to pay the termination payments in connection with the termination of certain interest rate swaps related to the Refunded Bonds, to fund a deposit to the debt service reserve fund and to pay related costs of issuance; and

WHEREAS, based on financial analysis utilizing historic and forecasted revenues generated within the Tourism Development Zone (“TDZ”) provided by the financial advisor to

the Authority, the County, City and the Authority acknowledge that the use of excess TDZ funds, as defined hereafter, to fund an additional use within the TDZ as provided herein, will not adversely affect the obligations of the County, City and the Authority under the Agreement; and

WHEREAS, the City desires to use the City's portion of sales tax increments received from the State sales and use taxes from sales generated within the TDZ (the "TDZ funds") available after meeting (i) the financial covenants of the Agreement, as supplemented by this Third Supplement, with respect to payment of the Convention Center debt shown in Column I of Exhibit A hereto; and (ii) any past shortfall in such payments referred to in clause (i) (the "excess TDZ funds"), for the additional purpose of funding a proposed redevelopment of the Pyramid Arena; and

WHEREAS, in connection therewith, the County, City and Authority desire to modify the Agreement to allow for the City to (i) add an additional use in the City's agreement with the State of Tennessee to include the redevelopment of the Pyramid Arena which is located in the currently established TDZ and (ii) in full compliance with the Agreement, as supplemented by this Third Supplement, utilize future excess TDZ funds as security for not to exceed Thirty Million Dollars (\$30,000,000) of bonds of the City to be issued to fund the City's contribution to redevelop the Pyramid Arena, subject and subordinate to the payment of the Convention Center debt shown in Column I of Exhibit A hereto, as provided herein; and

WHEREAS, in connection therewith, subject to State approval, the County, City and Authority desire to modify the Agreement to provide for disbursement of the excess TDZ funds as provided herein; and

WHEREAS, the County, City and Authority agree (i) to use their best efforts to qualify the Pyramid Arena as a "qualified public use facility" or other qualifying entity under Chapter 88 of Title 7 of the Tennessee Code Annotated, pursuant to an application by the City approved by the County and the Authority; and (ii) to take all steps necessary and legally required to extend the sales and use tax rebates period available for the TDZ for the full thirty (30) year period following the issuance of the City's bonds for the redevelopment of the Pyramid Arena, as authorized pursuant to Chapter 88 of Title 7 of the Tennessee Code Annotated.

NOW THEREFORE, the parties hereto agree as follows:

1. All capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.
2. The findings of the parties set forth in the foregoing recitals are hereby adopted by the parties hereto and incorporated herein.
3. Paragraph 2 of the Original Agreement shall be amended to add the following sentence at the end thereof: "Notwithstanding the foregoing, the City shall be permitted to amend its application with the State of Tennessee to allow for an additional use of excess TDZ funds to include the redevelopment of the Pyramid Arena, in full compliance with the terms hereof."

4. Upon the effective date of the approval from the State of Tennessee to amend the City's application to allow for an additional use of excess TDZ funds to include the redevelopment of the Pyramid Arena and the payment of debt service on not to exceed Thirty Million Dollars (\$30,000,000) of the City's bonds for the redevelopment of the Pyramid Arena, Paragraph 5 of the Original Agreement shall be deleted in its entirety and replaced with the following Paragraph 5:

The City agrees to transfer, within thirty (30) business days of receipt, to the County all sales tax increments received from the State sales and use taxes from sales generated within the Tourist Development Zone. The County shall distribute the amounts received from the City in accordance with Exhibit A. Any remainder after distribution by the County, in any year, shall remain with the County for subsequent application pursuant to this Agreement. Any shortfall in any column of Exhibit A in any year shall be cumulative and carry forward to subsequent years for application in the order and priority indicated in Exhibit A. Column II of Exhibit A shall be amended after the issuance of bonds by the City pursuant hereto, to show the actual debt service and payment dates of such bonds.

5. Exhibit A to the Agreement shall be deleted in its entirety and replaced with "Exhibit A – Tourist Development Zone Tax -- Schedule of Uses" attached hereto.
6. Effective as of the date of this Third Supplement, the County shall retain all TDZ funds transferred to it in accordance with the Agreement, as supplemented, and apply any current surplus to either (i) reimburse the Authority for any deficits in TDZ funds encountered by the County under Exhibit A to the Original Agreement; or (ii) provide for an additional reserve for payment of debt service on the Senior Lien Bonds of the Authority.
7. In all other respects the City, the County and the Authority hereby confirm the provisions of the Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplement to be duly executed and delivered by their respective officials thereunto duly authorized as of the date first written above.

SHELBY COUNTY, TENNESSEE

APPROVED as to Form:

By: _____
Mayor

County Attorney

CITY OF MEMPHIS, TENNESSEE

APPROVED as to Form:

By: _____
Mayor

City Attorney

THE MEMPHIS AND SHELBY COUNTY
SPORTS AUTHORITY, INC.

By: _____
Name: _____
Title: _____

Exhibit A

Tourist Development Zone Tax Schedule of Uses

The first priority shall be the Convention Center debt. The cumulative amount for the Convention Center shall be paid before any other payments. The second priority shall be the debt service on up to \$30 million of debt issued by the City of Memphis related to development of the Pyramid. The amounts for this debt reflected herein are estimates and shall be replaced with the actual amounts upon the issuance of such debt. Any additional TDZ revenue shall be divided between the remaining categories on a pro rata basis. The “Contribution for Convention Center Capital” shall be paid to the Convention Center to be used for capital improvements.

Fiscal Year	Convention Center Debt	Pyramid Redevelopment Debt	County Investment	Memphis Bond Issue	Memphis Bond Issue	Contribution for Convention Center Capital	Total
1998	\$2,021,005	-	-	-	-	-	\$2,021,005
1999	2,604,299	-	-	-	-	-	2,604,299
2000	3,013,380	-	-	\$408,285	-	-	3,421,665
2001	3,816,026	-	-	412,550	-	-	4,228,576
2002	3,769,412	-	-	410,867	-	-	4,180,279
2003	5,164,421	-	\$786,600	408,728	\$1,022,073	\$179,500	7,561,322
2004	4,080,660	-	786,600	411,202	773,797	179,500	6,231,759
2005	4,669,767	-	786,600	408,063	775,525	179,500	6,819,455
2006	5,051,045	-	786,600	409,417	775,342	179,500	7,201,904
2007	5,185,516	-	786,600	410,118	773,567	179,500	7,335,301
2008	5,062,261	-	786,600	410,142	775,208	179,500	7,213,711
2009	7,255,113	-	786,600	409,473	775,527	179,500	9,406,213
2010	5,513,261	-	786,600	413,087	776,467	179,500	7,668,915
2011	5,092,112	\$2,800,000	786,600	410,715	772,181	179,500	10,041,108
2012	5,160,265	2,800,000	786,600	412,583	773,847	179,500	10,112,795
2013	5,539,130	2,800,000	786,600	408,407	774,224	179,500	10,487,861
2014	5,393,563	2,800,000	786,600	408,427	773,030	179,500	10,341,120
2015	5,484,115	2,800,000	786,600	412,498	775,355	179,500	10,438,068
2016	5,491,980	2,800,000	786,600	410,330	775,922	179,500	10,444,332
2017	5,526,753	2,800,000	786,600	412,180	774,837	179,500	10,479,870
2018	5,549,936	2,800,000	786,600	412,755	777,055	179,500	10,505,846
2019	5,329,701	2,800,000	786,600	412,035	777,348	179,500	10,285,184
2020	5,341,292	2,800,000	786,600	-	775,732	179,500	9,883,124
2021	5,109,465	2,800,000	786,600	-	772,366	179,500	9,647,931
2022	4,357,981	2,800,000	786,600	-	777,296	179,500	8,901,377
2023	-	2,800,000	-	-	-	-	2,800,000
2024	-	2,800,000	-	-	-	-	2,800,000
2025	-	2,800,000	-	-	-	-	2,800,000
2026	-	2,800,000	-	-	-	-	2,800,000
2027	-	2,800,000	-	-	-	-	2,800,000
2028	-	2,800,000	-	-	-	-	2,800,000
2029	-	2,800,000	-	-	-	-	2,800,000
2030	-	2,800,000	-	-	-	-	2,800,000
	<u>\$120,582,459</u>	<u>\$56,000,000</u>	<u>\$15,732,000</u>	<u>\$8,211,862</u>	<u>\$15,746,699</u>	<u>\$3,590,000</u>	<u>\$219,863,020</u>